

Phil Montgomery

Serving the Communities of Allouez, Ashwaubenon, De Pere and Green Bay

**Testimony of Representative Phil Montgomery
Senate Committee on Utilities, Commerce, and Rail
March 10, 2008 – Assembly Bill 347**

Good afternoon, again, Chairman Plale and committee members. Thank you for providing me the opportunity to testify in support of Assembly Bill 347. Assembly Bill 347 is one of three pieces of legislation introduced as a result of a 2006 Legislative Council Special Study Committee on Nuclear Power, which I chaired.

The Joint Legislative Council's charge to the committee was to study the role of nuclear power in Wisconsin's energy future, and develop legislation that implements the recommended role, including, as appropriate, any modifications in the state's nuclear power moratorium.

There were two initial drivers for the study: the increasing demand for electricity in the state, and a growing concern over the effects of fossil fuel combustion on climate change.

As the committee began its work, a significant question came to the forefront: Since Wisconsin gets roughly 15-18% of its electricity from its 2 nuclear power plants, what is the state going to do—especially in light of continually increasing energy demand—when these plants' operating licenses expire by the year 2033?

Three pieces of legislation were recommended by the committee in response, and the state Assembly recently approved all three of the study committee's proposals.

Of the three proposals, Assembly Bill 346 would repeal the state's "nuclear moratorium" law, and Assembly Bill 348 would expand the advocacy duties of the Wisconsin Public Service Commission in national proceedings regarding the management of spent nuclear fuel.

But Assembly Bill 347 is the reason I am here today. AB 347 directs the PSC to investigate future electric supplies after the operating licenses of the nuclear power plants in the state expire. The committee felt this study would be a good next step for the state to take in planning for the replacement of our nuclear power plants' electric generating capacity.

The bill requires that this investigation must be based on the development of scenarios that project the total demand for electricity over the next 25 years under various assumptions, and specify the proportions of electricity that would be expected to be generated by different types of fuel using current and advanced generation technologies.

This one-time study is in addition to the biennial Strategic Energy Assessment, which looks out only 7 years. As part of its report to the Legislature, the PSC must identify the expected costs and environmental impacts of each scenario.

The Joint Legislative Council Committee voted to introduce Assembly Bill 347 as a result of the Special Study Committee on Nuclear Power recommendations, and it is my hope that you too will advance this proposal to take another step in determining the role nuclear power should play in Wisconsin's future energy portfolio.



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March 10, 2008

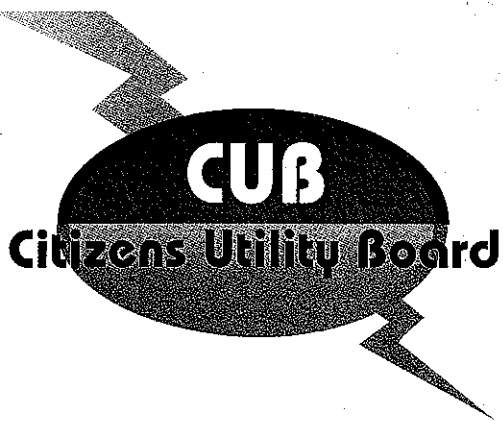
To: Senate Committee on Commerce, Utilities and Rail

Re: Opposition to AB 347

Following a two-year study of Wisconsin's electric energy policy, the League of Women Voters of Wisconsin would like to comment on the legislation which has resulted from recommendations made by the Legislative Council Special Committee on Nuclear Power.

LWVWI affirms that the Public Service Commission (PSC) should begin and continue to plan for electric energy sources to replace nuclear power, if and when current facilities are no longer in operation. However, we oppose AB 347 that duplicates current PSC authority and will require either new staff with additional funding or the reassignment of staff from current established priorities. We also oppose this legislation because a short-term study cannot do justice to a subject of this complexity.

Thank you for the opportunity to present the position on behalf of our statewide members.



March 10, 2008

The Honorable Members of the Senate Committee on Commerce, Utilities, and Rail
State Capitol
Madison, WI 53707

✓ Re: Please oppose AB 347, relating to requiring the Public Service Commission to investigate future electric supplies.

Please support SB 448, relating to environmental trust bonds issued by energy utilities.

Dear Members of the Senate Committee on Commerce, Utilities, and Rail:

On behalf of the Citizens Utility Board, I would like to ask you to oppose AB 347, relating to requiring the Public Service Commission to investigate future electric supplies. In addition, I would like to ask you to support SB 448, relating to environmental trust bonds issued by energy utilities.

The Citizens Utility Board of Wisconsin (CUB) is a member-supported nonprofit organization that advocates for reliable and affordable utility service. CUB represents the interests of residential, farm, and small business customers of electric, natural gas, and telecommunication utilities before the Legislature, regulatory agencies, and the courts.

✓ **AB 347, relating to requiring the Public Service Commission to investigate future electric supplies....**

This provision was drafted by the Special Committee on Nuclear Power, on which I served on behalf of CUB. Although we would like the PSC to strengthen its energy planning process, we oppose this legislation because it would unnecessarily restrict the analyses the PSC could use to plan for Wisconsin's future energy needs. In my opinion, the Special Committee did not have the time or the resources to develop a bill that would provide the PSC with the appropriate authority and framework for long-range energy planning. This bill would not lead to the development of useful energy plans.

SB 448, relating to environmental trust bonds issued by energy utilities.

This legislation would reduce the cost to ratepayers of pollution-control equipment that may need to be added to power plants throughout Wisconsin.

March 10, 2008

Page 2 of 2

Because of federal and state regulations, utilities in Wisconsin may need to add pollution-control equipment to their power plants to reduce health- and environment-damaging pollutants.

Whenever utilities add new equipment to their facilities, they have to raise capital to pay for it. The utilities include the cost of the equipment and the financing charges in their electric rates, which means ratepayers ultimately pay for it through higher rates.

Utilities can finance large projects in different ways. In 2004, the Legislature and Governor Doyle enacted a new type of financing called "Environmental Trust Financing" (2003 Wisconsin Act 152, codified as Wis. Stats. 196.027). Environmental Trust Financing, or "ETF," allows utilities to issue bonds to pay for the equipment. Bond or "debt" financing is a less-expensive way to raise capital to pay for large projects than traditional utility financing, which uses a combination of debt and equity.

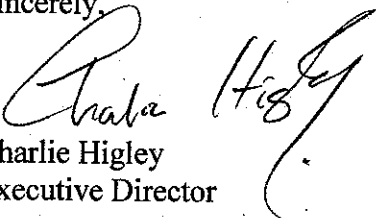
The bottom line is, when a utility uses debt financing to pay for a large project, electric rates will be lower than if the utility used a traditional combination of debt and equity. For example, ETF could save up to \$500 million over 10 years on a \$1 billion project to add pollution controls.

This legislation would amend 196.027 so that the utilities would be more likely to use ETF; so far, the utilities have not used this form of financing. The utilities claim this type of financing would threaten their profits and credit rating, even though the utilities made sure that the ETF legislation passed in 2004 would not cause them financial harm.

In a time of ever-increasing electric rates, CUB urges you to support SB 448, so that when utilities need to add pollution controls to their power plants, they will be more likely to finance the projects using Environmental Trust Financing, which will help keep electric rates in check.

Thank you for your consideration.

Sincerely,



Charlie Higley
Executive Director